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Top Common Consumer Mistakes When Buying Final Expense Insurance

Mistake #1: Purchasing through the mail

The #1 most costly mistake people make when buying final expense life insurance is purchasing a policy through a mail order advertisement. Purchasing through the mail can be easy and convenient but the risks are substantial. Often, when you buy through the mail it is difficult to understand what you are actually getting. The policy features and guarantees are often very vague and the fine print in substantial. Ultimately this lack of clarity and support does not make up for the ongoing risks and trouble. Just as importantly, advertisements through the mail do not allow you to appropriately compare the prices from the many companies and policies in the marketplace.

Mistake #2: Waiting Periods

Most plans that are purchased through the mail have a 2-3 year waiting period before the actual full death benefit is in full effect. That means, if the insured dies within the first 2 or 3 years of signing up for the policy, then the beneficiary will only receive the dollar amount that the owner paid into the policy (or in some cases a small additional percentage of usually 10% or less). Why is this so prevalent? This is because when you complete your entire purchase only through the mail, the insurance company does not know if the applicant is healthy or not. Although this allows individuals with very severe health problems to obtain coverage, it is not suitable for those who are healthier or just want to compare many policies in the marketplace.

Mistake #3: Buying plans with increasing premiums

Many seniors have unfortunately fallen prey to this type of policy. Aggressive advertising encourages consumers to buy a policy with at an unbelievably low initial rate and then after a certain amount of years the monthly payment begins to increase. Sometimes it takes several years before this begins and at first glance the increases do not seem too terrible. However, as time goes on the increases get larger and larger, and most significantly, they increase the most at the absolute worst time- when the policy owner is at their oldest and has had the policy for the most time, and therefore is less able to start paying higher and higher amounts. This causes consumers to become unable to keep their policy because their premiums are just too high for their current income. Increasing premiums are often found in mail order and term policies. They can increase in all different time periods as well. Most mail order policies increase every 5 years while most traditional term policies increase every 10 or 20 years. As a senior, generally speaking, you would be best served in the long term to avoid these types of policies.

Mistake #4: Coverage Reductions

On average, the cost of funerals and overall final expenses have gone up by 3% every year. Even still, there are companies that offer policies with a death benefit that decreases over time. It unfortunately occurs quite a bit where a senior may sign up for a $10,000 policy and think their final expenses are taken care of; then on their 75th birthday they receive a letter from the insurance company stating that the coverage will now be reduced to only $5,000. It is an extremely expensive mistake and it does not have to happen.

Mistake #5: Coverage Cancellations

This mistake is undoubtedly among the worst and most inconvenient mistakes that consumers make on their final expense life insurance purchase. The intended goal for most consumers, and what many are lead to believe, is that they will have their final expense and life insurance policy until the day they die. However, if you sign up for the wrong policy it may not work out that way. In some cases there are policies that are marketed as Final Expense life insurance policies – which should always be permanent coverage (almost always "Whole Life")- but which are actually term life insurance and only provide coverage for a certain amount of years or to a certain age (often 75 or 80 years old). Once that temporary period is over, the insurance company will send a letter stating something to effect of "coverage has been terminated under the terms and conditions of the policy." In this situation, almost never will you have any type of cash value, surrender value, or get any money back at all from the premiums paid in. So for all the money paid in, you will receive nothing in return. Although this is a terribly sad and upsetting process, if the policy states this in the terms and conditions, they can legally do it.

Mistake #6: Accidentally Buying Accidental Insurance

Many are surprised to find out that accidental insurance and life insurance are two very different things. Life insurance policies pay your beneficiaries the death benefit no matter what the cause of death was. Accidental policies only pay in the event of an accidental death, which means something random and unforeseen and not from natural causes such as heart disease or old age. In some cases accidental insurance can be so cheap that it is worth have to supplement the rest of insurance protection picture but it should not be considered the real protection one should really have. It is much more critical to have regular final expense life insurance since it will pay your loved ones upon your death no matter what.

Mistake #7: Not Having Proper Guidance and Counseling

All of these damaging mistakes can be avoided if you have the proper information and tools at your disposal, with the ability to have your remaining questions answered by an expert counselor. You need your shopping experience to be clear, straightforward and empowering so you have the access and control to find what you are looking for, know what you are getting, and have a system of organization that keeps everything clear.